

ORIGINAL

Decision No. 41995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE SAN DIEGO AND CORONADO FERRY COMPANY) Application No. 29272
for authority to increase rates. .)

Appearances

Forrest A. Cobb, for applicant.
J. R. Goodbody, for the City of Coronado.
Louis M. Karp, for the City of San Diego.
D. J. Carnes, for San Diego County.

O P I N I O N

The San Diego and Coronado Ferry Company is engaged in the business of transporting automobiles, persons and property, as a common carrier, by ferry boats, between the cities of San Diego and Coronado upon the Bay of San Diego. By this application, as amended, it seeks authority to increase its passenger fares and freight rates.

Public hearing was held before Commissioner Huls and Examiner Bryant at San Diego on July 8, 1948. The matter is ready for decision.

Applicant's service is primarily that of an automobile ferry, with the transportation of passengers as an accessory service. In addition to riders in private automobiles, there are pedestrian passengers and passengers who ride in buses of the San Diego Electric Railway Company which are transported across the bay. Four diesel-electric double-ended ferry boats are owned and operated. Service is rendered throughout the 24-hour period, with frequencies ranging from six minutes during afternoon traffic peaks to 40 minutes during the early morning hours. Applicant's

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operating properties, in addition to the four boats, consist in general of wharves, docks and terminals in both San Diego and Coronado, and of shops and miscellaneous equipment.

Applicant's rates for the transportation of vehicles and other freight were increased effective September 29, 1947, upon authorization of this Commission after public hearing. Sought increases in pedestrian passenger fares, considered at that time, were found to have been not justified. It appeared to the Commission from the available evidence that revenue under the authorized revised rate structure would be sufficient to pay the cost of rendering the service and to provide a return in excess of six per cent on a reasonable rate base.¹ In the present proceeding applicant alleges that the expected revenues have not materialized; that the earnings since September, 1947, have in fact been at a rate of less than one per cent per annum; that operating expenses are continuing to increase; and that notwithstanding that it has made and will make all possible operating economies, it will not be able to earn a fair and reasonable return in the future at present rates and fares.

Under present fares about 65 per cent of applicant's operating revenues result from transportation of automobiles, 20 per cent result from transportation of passengers, and the remainder from transportation of trucks, buses, motorcycles, and general freight. The instant application seeks authority to increase automobile rates by five cents for a one-way trip, and generally by four cents per trip for commutation tickets. Local one-way passenger fares would be increased from five cents cash to 10 cents cash or six tokens for 50 cents. Joint fares with the

¹ Decision No. 40685 of September 10, 1947, in Application No. 28570.

San Diego Electric Railway Company, applicable to passengers transported in buses, would be increased by five cents for one-way cash fares, and by varying amounts where tokens or round-trip tickets are involved.² The proposed rate increases for trucks, other vehicles, and general freight, all of which account for only 15 per cent of the total revenue, would be increased by varying amounts which need not be detailed here.

Estimates of the gross and net revenues to result from the proposed rates and fares were submitted by a consulting engineer testifying on behalf of the applicant, and by a transportation research engineer of the Commission's staff. Both witnesses based their calculations upon the 12-month period ending July 31, 1949. At present fares the company engineer believed there would be a net loss of \$27,300; the Commission witness foresaw a net income of about \$5,000, representing a rate of return of less than one-half of one per cent. Under the proposed rates applicant's witness anticipated a net revenue of \$100,100, reflecting a return of 9.47 per cent on the rate base; the Commission engineer estimated a net revenue of \$122,258, representing a return of 11.59 per cent on a similar rate base. The two estimates are summarized in the following table:

ESTIMATED OPERATING RESULTS
FOR YEAR ENDING JULY 31, 1949

	<u>AT PRESENT FARES</u>		<u>AT PROPOSED FARES</u>	
	<u>Applicant</u>	<u>Commission Engineer</u>	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$805,300	\$837,301	\$ 999,700	\$1,034,730
Expenses	832,600	832,217	899,600	912,472
Net Income(after income taxes)	<u>\$(27,300)</u>	<u>\$ 5,084</u>	<u>\$ 100,100</u>	<u>\$ 122,258</u>
Rate Base	\$1,100,200	\$1,054,700	\$1,057,000	\$1,054,700
Rate of Return	-	0.48%	9.47%	11.59%

() Indicates loss

²

All additional revenue resulting from increases in the joint fares would accrue to The San Diego and Coronado Ferry Company.

As supplementary information the Commission engineer submitted estimated operating results under several alternative rate and fare structures, one of which will be further discussed hereinafter.

In addition to the estimates for the future, applicant submitted a statement of revenues, expenses, rate base, and rate of return, for the ten years from 1938 to 1947, inclusive, and for the months from October, 1947, to May, 1948. According to this exhibit, the maximum annual return was 10.08 per cent, earned in 1941, and the minimum was less than one per cent, earned in 1947. The average for the ten years was 5.15 per cent, and the return for the latest available eight-month period, on an annual basis, was slightly more than one-half of one per cent. From these and other figures, applicant's counsel argued that the company's earnings have long been moderate if not meager; that hopeful estimates of future earnings under prospective rate structures should be viewed with reserve; and that, considering the disappointing earnings from the rates authorized in September, 1947, it should be the Commission's purpose in the instant proceeding to authorize rate levels sufficient to permit an adequate return for the full yearly period.

Applicant's president explained that, because of the nature of ferry operations, no appreciable saving in expense would result from any moderate reduction in service. He testified that he knew of no further economies which could be effected during the rate year without seriously curtailing necessary service.

The cities of Coronado and San Diego, and the County of San Diego, were represented at the hearing in this matter. It was the position of the City of Coronado that it would not oppose any rate increase shown to be necessary to successful operation of the ferries, but that the Commission should minimize the effect of fare increases on commuters between San Diego and Coronado. Generally, the County of San Diego supported the position of the City of Coronado, but urged "that the increase, if any, be as low as possible." The position of the City of San Diego was one of opposition to

any increase in applicant's rates or fares. None of these political bodies nor any other interested party offered evidence in addition to that submitted by applicant and by the Commission's staff.

Applicant's consulting engineer and the Commission engineer differed considerably in their estimates of future traffic volume, and to a lesser extent in other phases of their estimates; but there is no necessity for reconciling or explaining the several differences here in view of the tolerances which must be recognized in the development of estimates relating to the future. It is apparent from this record that continued operation at present rates would result in little or no net income, or in net operating losses. As hereinbefore indicated, however, the rates proposed by applicant would produce annual earnings, after taxes, estimated at \$100,100 by the company witness and at \$122,258 by the Commission witness. The rates of return on these bases would be 9.47 per cent and 11.59 per cent respectively. The record is not persuasive that earnings on such high levels are reasonably necessary or justified under the circumstances herein disclosed.

Under the alternative rate plan hereinbefore referred to, the rates for vehicles, freight, and cash passenger fares would be increased as proposed by applicant, but the passenger token fares would be at the rate of 4 for 25 cents rather than 6 for 50 cents as sought. Revenues and expenses under this alternative plan, as estimated by the Commission engineer, would be as follows:

Revenues	\$ 979,039*
Expenses	890,136
Net Income (After income taxes)	88,903
Rate Base	\$1,054,700
Rate of Return	8.43%

*Revenues would be slightly lower if the weekly pass, now in use under the joint fares but proposed to be cancelled under another application now pending, were continued.

Revenues under the alternative fare structure, resulting in an estimated rate of return of 8.43 per cent would appear to be adequate and reasonable. Applicant's witnesses asserted that this fare plan would not be feasible because of the impracticability of having tokens of two different values in the San Diego area. We are not persuaded, however, that these mechanical difficulties are so great as to

inhibit the adoption of a fare structure which is otherwise desirable.

Upon careful consideration of all the facts and circumstances of record, the Commission is of the opinion and finds as a fact that rate and fare increases as specifically provided in the order which follows are justified. To that extent the application will be granted; in other respects it will be denied. Rates and fares of The San Diego and Coronado Ferry Company may be further considered, should such appear necessary, after disposition of Application No. 29429, now pending, which involves fares of San Diego Electric Railway Company.

The San Diego and Coronado Ferry Company, in accordance with the policy as stated in this proceeding by its president, will be expected to maintain the present level and standard of service to the public.

O R D E R

Public hearing having been had in the above entitled application, and based upon the evidence received at the hearing and upon the findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that The San Diego and Coronado Ferry Company be and it is hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, increased rates and fares as specifically set forth in Exhibits "E" and "F", as amended, of the above entitled application, with the following exceptions:

- (a) Establish token fare of 4 tokens for 25 cents (in lieu of 6 tokens for 50 cents, as sought).
- (b) Eliminate 60-ride commutation (in lieu of increasing rate from \$3.00 to \$5.00).

IT IS HEREBY FURTHER ORDERED that in all other respects the above entitled application be, and it is hereby, denied.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become null and void unless exercised within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 24th day of August, 1948.

R. J. Anderson
Justus J. Cameron
Frank H. Hulse
Harold P. Hulse

Commissioners